

Blue Lake Power, LLC
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October 18, 2013

BY ELECTRONIC MAIL

Ms. Kathleen H. Johnson
Director, Enforcement Division (ENF-1)
U.S. Environmental Protection Agency
75 Hawthorne Street
San Francisco, CA 94105
Attn: Mark Sims (ENF-2-1)
Attn: Ivan Lieben

Re: Blue Lake Power, LLC – Further Response to Questions 19 and 20 and Response to Questions 9 and 11 (b. and c.)

Dear Ms. Johnson, Mr. Sims and Mr. Lieben:

Questions 19 and 20

Mr. Lieben requested by electronic mail on Friday, September 27, 2013, additional information in response to Questions 19 & 20. Mr. Lieben's request underscores the difficulty in responding to requests drafted initially for large power plants with sophisticated owners. Blue Lake Power, LLC ("Blue Lake") is concerned the Environmental Protection Agency does not understand the stark differences between its operation at Blue Lake and the operation of power plants run by utilities or entities with multiple power plants. The differences are analogous to those between a Mom & Pop grocery store and WalMart. Because the operation at Blue Lake is vastly different from most power plant facilities, we would like to meet with EPA in an effort to further clarify the limited documentation available for the projects discussed below.

Blue Lake purchased the biomass facility and began a process of completing maintenance and limited required improvements such as installing communication equipment in the electrical switchyard prior to restarting the facility. The activities undertaken to restart the facility were first initiated in 2008 with minimal progress due to the financial tightening that occurred in 2008. In August 2008, Blue Lake's funding source dried up, and we were unable to obtain new financing for more than 12 months. Once Blue Lake obtained additional financing on September 25, 2009, we reinitiated the work to complete the maintenance and other activities required to restart the facility. We completed this maintenance and other construction activities in April 2010 to meet the April 30, 2010 online date required by the power purchase contract. This effort did not include separate and individual projects. The work conducted prior to restarting the facility was completed as part of one ongoing effort.

The situation looked something like this: a small group of us and some of our contractors in a room at the power plant, a large whiteboard on the wall, and everyone talking through the next day's activities and solutions to the issues that came up today. We met and reviewed the tasks at hand frequently, but the process was very much a "hands on, must accomplish" sort of effort. We revised the tasks and assignments based upon what we found during the previous short period since our last meeting.

Blue Lake did not undertake engineering analysis of the situation and the options for fixing the problems we found at the facility. Instead, we met in that room with the whiteboard or elsewhere at the plant and decided what to do. The decisions were not reflected in revised, new or different contracts, purchase orders or similar documentation. The contractors went forward with the work based upon our discussions, and we paid them for their efforts. We also supported the work by purchasing items as simple as bolts from the local home improvement and hardware stores.

We never developed an expense plan for individual projects that were part of the total work done prior to restarting the facility. In response to your Questions 19 & 20, we looked at each expense item for the facility and summed the costs associated with any item we felt might be considered a capital project. Thus, payments for interest associated with loans to Blue Lake are not reflected in the amounts provided in the Table, but boiler tube replacement costs are in the Table.

The categories reflected in the Table were not conducted as separate actions with separate accounting, payment and milestones. Therefore, the information in the Table is based upon a review of each accounting line for payments that could be considered part of a capital project. These categories were created to describe to the best of our ability the work done at the plant. We summed the amounts for each category. Just to be clear, there are no work order numbers for any of the work, there are no authorizations or projections on expenditures for the work, and there are no dates of approval. We have added timing information to the Table provided in response to Questions 19 & 20. We have also created a description of the different categories. Nonetheless, please understand that we do not have some of the items you request.

In response to Question 19, we do not have any work order numbers, authorized or projected expenditures, dates of approval or separate completion or in-service dates. Regarding Question 20:

- a. There are no capital appropriation requests and approvals.
- b. The total project costs broken out into categories to the best of our ability are included in the Table.
- c. The project completion date of April 30, 2010, is the same for all of the projects.
- d. The boiler returned to commercial operation on April 30, 2010.
- e. All of the available equipment specifications have been provided in response to Requests 6, 7, 11 and 18.
- f. No cost/benefit analyses were conducted for any of the work performed at the facility.

- g. There are no alternative option analyses.
- h. There are no emission calculations beyond those contained in the source test reports and engineering analysis accompanying permit applications and evaluations conducted by the North Coast Unified Air Quality Management District ("District") and provided in Responses 8 and 15.
- i. Correspondence with the District is provided in Responses 8, 14, 15, 23, 24 and 25.
- j. No environmental impact reports or negative declarations were prepared for the work completed at the facility.
- k. There are no engineering analyses and/or performance tests for the period immediately before and immediately following completion of each project. Please see response to "h" above for existing engineering analysis.
- l. There are no pre-and post-completion performance evaluations.
- m. There are no work order or work order requests project completion reports.
- n. Blue Lake did not use a purchase order system for authorizing payment to contractors or purchases of equipment. Therefore, there are no purchase orders associated with the work conducted at the facility.
- o. Blue Lake is providing additional contracts in response to this request. The additional contracts will be included on a compact disk with the certified mail copy of this letter.
- p. None of the work resulted in a capacity or efficiency increase. The work at the facility was driven by all of the following:
 - changes in interconnection requirements such as the communication equipment at the electrical switchyard,
 - addressing existing potential hazards such as removing the former fuel handling system,
 - responding to existing problems such as reducing fugitive emissions by installing the new vertical fuel conveyance system, and
 - repairing broken or nearly broken equipment such as leaking boiler tubes required for the facility to run.

All properly conducted maintenance improves reliability of the equipment being maintained, but that said, none of the activities conducted at the facility were undertaken with the specific intent of increasing reliability or extending the life of the facility. The activities were conducted to get the facility to operate as designed for the original life of the facility. For example, the boiler could not safely operate with the leaking tubes. Therefore, the tubes needed to be replaced to allow safe operation consistent with the design of the boiler.

- q. The rating of the boiler has not been changed by any of the activities at the facility. All documentation regarding the boiler is provided under Response 11 and 18.
- r. No risk analyses regarding lost time, lost energy or failures of components or the facility were conducted.
- s. Blue Lake does not have engineering analyses, correspondence, memoranda, telephone discussion summaries, Board of Directors reports, meeting minutes or annual reports that describe the benefits, provide justification for, or otherwise explain the nature, extent, cost, and frequency of the work conducted at the facility. All of the discussions about the work to be done occurred on phone calls or in meetings and were not formalized. Blue Lake does have two pictures of the whiteboard that are included in the response to question 19.
- t. Blue Lake did not perform production cost modeling or simulations of the impact of the work on generation. Blue Lake did not perform modeling of fuel budgets. Blue Lake cannot recover the costs of fuels from customers and therefore, did not file with the California Public Utilities Commission to recover those costs. Blue Lake did not perform modeling in support of company budgets.
- u. See response to t; and
- v. See response to t.

Questions 9 and 11(b) and (c)

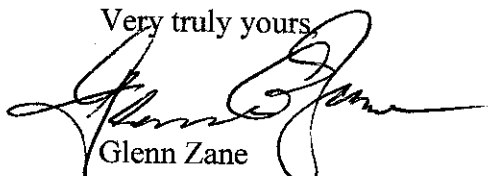
In response to Questions 9 and 11 (b. and c.), we are providing the following information:

Question 9. The data responsive to Question 9 is in the folder labeled as such and included on the compact disk sent with the certified mail copy of this letter. The data is in two parts. The data for the periods prior to March of 2012 is comprised of digital copies of paper records from Blue Lake files. The data since March of 2012 is in "csv" form that is Excel 2007 compatible. No calculations are made at Blue Lake and all numbers that appear are directly from the CEMS unit.

Question 11, Subparts b. and c. Subpart b. does not apply to Blue Lake. Subpart c. Blue Lake has a traveling grate furnace and does not record temperature at the grate. Thus, Blue Lake does not have the requested temperature measurement records. (Blue Lake provided responses to Question 11 Subparts a. and d. on September 23, 2013.)

We hope this response clarifies the available information regarding the activities at the Blue Lake facility. We would like to meet with you, at your earliest convenience, if you have further questions about the documentation available for this facility.

Very truly yours,



Glenn Zane

Chairman & General Manager